




MEMORANDUM

GOE

Agenda Item No. 7 (M)

TO: Honorable Chairperson Barbara Carey-Shuler, Ed.D and Members, Board of County Commissioners DATE: **April 20, 2004**

FROM: George M. Burgess, County Manager  SUBJECT: GSA Review: Rent Recommendation & Project Update

I am pleased to provide initial funding model recommendations for the operations and maintenance of General Services Administration's (GSA) managed buildings. These recommendations will improve how the buildings are funded, how they are maintained, and provide for clearer and more direct budgeting of costs. They are based on a comprehensive review conducted collaboratively with staff from the Office of Strategic Business Management (OSBM) and GSA. Additional details regarding this funding model, including background information on the Fleet Management Division, are provided in the attached PowerPoint presentation. OSBM continues to work on various other aspects of GSA's operation including a possible gainsharing project in Fleet Management and key process reviews in the Construction Management and Renovation Services (CMRS) Division.

The funding model recommendations focus on five areas, including national benchmarks for budgeting, local market research for rental rates, budget development, improved processes for facilities maintenance, and increasing resources to provide for future capital needs.

Funding Model Recommendations

Recommendation #1: Use national benchmarks and methodologies for developing an operations and maintenance budget for GSA managed buildings.

The OSBM review found that current operations and maintenance costs for the GSA managed buildings conform to national data. Data compiled by the Building Owners and Manager's Association (BOMA) for the 2002 calendar year indicate that it should cost about \$9.08 per *rentable* square foot to maintain buildings similar in nature to the GSA managed buildings. GSA's costs for the comparable period were \$10.66 per rentable square foot. The difference in costs is primarily due to the impact on cleaning costs of the increase in the Living Wage and greater security costs after the terrorist attacks on September 11, 2001. It is being recommended that on an annual basis, in conjunction with the budget cycle, this type of analysis should be conducted to ensure that funding for operations and maintenance conforms to industry standards.

Based on the BOMA data and allowances for higher cleaning and security costs, the initial FY 04-05 budget submittal for operating and maintaining the buildings is \$31.9 Million.

Recommendation #2: Establish rental rates based on local market research and charge proprietary department tenants accordingly.

Currently, GSA's tenants can be categorized in three groups: proprietary department tenants, pass-through departments charged only for their costs of occupancy (departments with their own taxing district), and general fund departments. Data provided by the brokerage firm of C.B. Richard Ellis indicates that while rental rates in some facilities could be adjusted, the net effect would be relatively minor. Overall, In FY 02-03, rents from proprietary departments totaled approximately \$5.23 Million. Using the C.B. Richard Ellis rates as well as considering how some of the space is currently used, the recommended rent would be \$5.6 Million.

GSA charges proprietary department tenants a rental rate close to what the private market would charge. GSA should continue to charge the pass-through departments, such as the Library, their costs of occupancy (approximately \$2.7 Million in FY 04-05). The remainder of the budget (\$23.6 Million) is associated with the General Fund. However, it is recommended that GSA and OSBM review the rental rates charged to grant-funded tenants to determine the feasibility of charging market rent where applicable.

Recommendation #3: Submit the annual budget based on a scenario of eliminating internal transfers to provide "true cost" budgeting.

Currently, internal transfers from other GSA divisions such as Fleet Management and CMRS supplement the general fund portion of the building maintenance budget, and amounted to \$4.057 Million in FY 03-04. The recommended \$23.6 Million associated with general fund departments consists of general fund support and limited amounts from the Capital Outlay Reserve Fund (CORF). This amount would eliminate the need for other GSA divisions to transfer funds to support the buildings and result in true cost budgeting. Eliminating these transfers could also allow for reduced fees charged by these contributing divisions. It is recommended that the GSA department FY 04-05 budget submittal should be developed with considerations for taking steps to phase out these internal transfers.

Recommendation #4: Improve building maintenance by implementing a dedicated Preventive Maintenance (PM) team to improve building upkeep and complete small repairs.

Currently, preventive maintenance is performed on an *ad hoc* basis by staff working on overtime, which is necessary to avoid workplace disruptions. A dedicated PM team should be established, and working in shifts, provide weekday, weekend and evening preventive maintenance and repairs to maintain the GSA managed building in good repair. The PM team can be financed from a \$2 Million preventive maintenance fund that has been budgeted but not yet spent. The team's mission would be to perform repairs and to provide regular ongoing preventive maintenance based on industry standards.

The PM team will both generate savings and increase effectiveness in building repair and upkeep in two important ways. First, the kind of repairs that the PM team would perform are primarily preventive, proactive and less expensive than reactive maintenance repairs (repairs conducted only when something breaks). Second, highly skilled CMRS Shop tradesmen with higher personnel costs currently perform building maintenance. Consequently, shifting PM activities to lower cost repairers in a PM team will lead to direct savings. Additionally, in shifting the repair work from the Shops to the PM Team, GSA Shops can focus on the large quantity of build out, renovations, construction and major repairs needed on GSA managed facilities.

Recommendation #5: Develop a funding strategy to eliminate deferred capital needs for GSA's managed buildings.

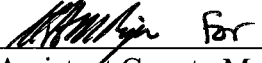
GSA has identified more than \$80 Million of capital-related work associated with the GSA managed buildings.

- Continue efforts to include the identified list of capital needs in the County's priority-setting process for the G.O.B. program.

Alternately, if G.O.B. funds do not become available:

- Develop a funding approach to finance GSA's identified capital needs. In the intervening time, it is suggested that GSA working with OSBM investigate the possibility of budgeting approximately \$4 Million in FY 04-05 to cover capital-related work. Thereafter, a ten-year capital plan should be developed to cover GSA's identified needs not covered in the G.O.B.

Attachment



Assistant County Manager
CORINNE BRADY.

General Services Administration Comprehensive Review

Final Rent Model Recommendations & Fleet Management Division Background

Government Operations and Environment Committee

Office of Strategic Business Management

Performance Improvement Division

March 9, 2004

Project Overview

- Final Recommendations on Rent
 - Funding Level Recommendations
 - Establishing Rental Rates
 - True Cost Budgeting
 - Improving Building Maintenance
 - Capital Planning
- Review of Fleet Management Division
 - Background and Initiation of Comparative Analysis
- Upcoming Activities
 - CMRS Review
 - Key Process Reviews and Workload Analysis
 - Comparative Analysis
 - Materials Management

Summary Rent Model Recommendations

Funding Level Recommendations

- Use National Data to Establish Operations and Maintenance Budget for GSA Buildings

Establishing Rental Rates

- Using Private Consultant, Establish Market Rents for Proprietary Departments

True Cost Budgeting

- Determine Level of Required General Fund Support and Take Steps to Eliminate Need for Internal Transfers

Improving Building Maintenance

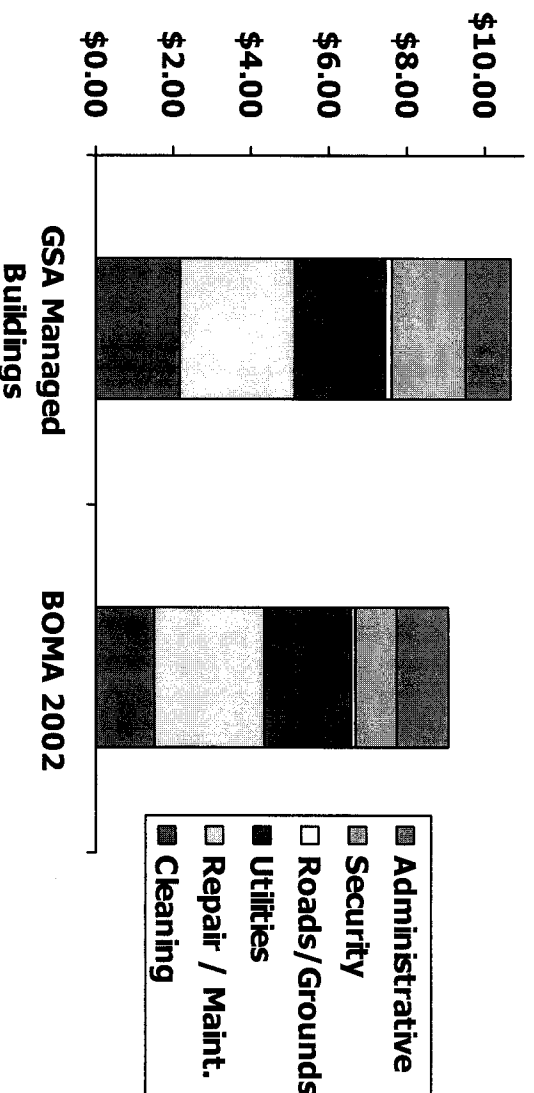
- Implement Preventive Maintenance and Repair Teams

Capital Planning

- Establish Capital Plan for Upkeep of GSA Managed Buildings

Funding Recommendations: Results of National Data Analysis

- GSA Costs Comparable to National Data
 - BOMA 2002: **\$9.08 per sq/ft**
 - GSA FY 02-03: **\$10.66 per sq/ft**
 - Based on \$29.6 Million to Maintain Buildings in FY 02-03
 - Difference Due to Impact of Living Wage on Cleaning Costs and Higher Security Expenses After 9/11/01



Funding Recommendation: Developing the Budget for the Buildings

- Using BOMA Data, Establish FY 04-05 Operation and Maintenance Budget for GSA Managed Buildings

Recommended FY 04-05 Budget for GSA Buildings

FY 04-05 Base Budget Using BOMA Data Adjusted for Inflation	\$	26.4 Million
Allowance for Cleaning/Living Wage Costs	\$	2.9 Million
Allowance for Security Costs	\$	2.6 Million
TOTAL	\$	31.9 Million

Funding Recommendation: Review Effect of Proposed Rent Model

FY 04-05 Expenditures	
Budget Based on BOMA Data with Cleaning and Security Allowances	\$ 31.9 Million
FY 04-05 Rent and Revenues	
Proprietary Rent	\$ 5.6 Million
Tax District Pass Through Costs	\$ 2.7 Million
General Fund Support	\$ 23.6 Million
Total	\$ 31.9 Million

Establishing Rental Rates

FY 2002-2003 Building Revenues

- **GSA Managed Buildings**
 - Current rental charges by tenant type
 1. Proprietary Departments: Market Rent
 2. Taxing District Departments: Charged for Costs Only
 3. General Fund Departments: Pooled Expense

FY 2002-2003 Revenue From Buildings

Proprietary Department Rents	\$ 5.23 Million
Tax District Departments	\$ 2.44 Million
General Fund Departments	\$ 17.165 Million
TOTAL FY 02-03	\$ 24.835 Million

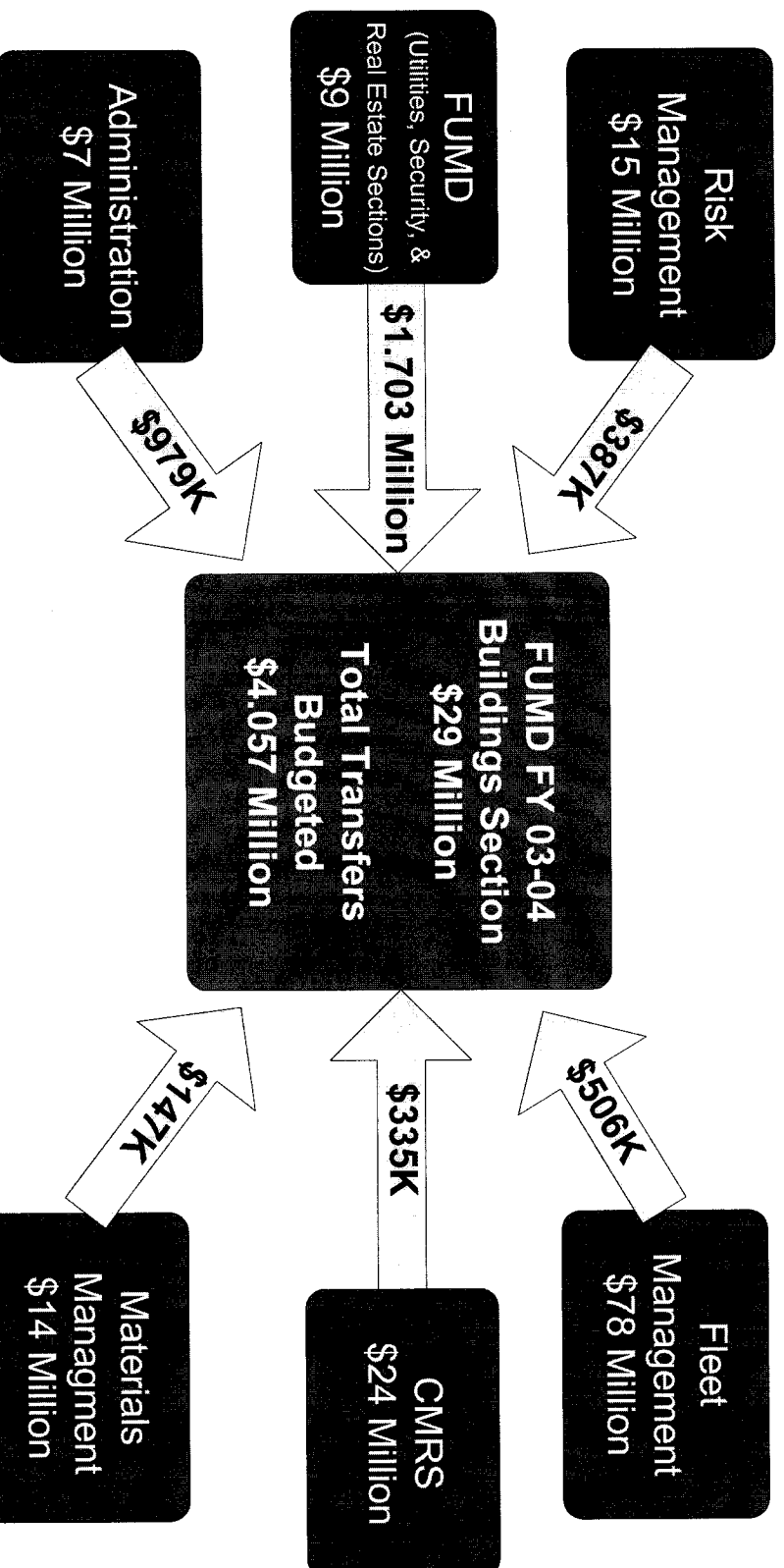
Establishing Rental Rates: Proprietary Department Tenants

Buildings With Proprietary Tenants	FY 02-03 Rate per Rentable Square Foot		FY 02-03 Rent		Proposed Rate per Rentable Square Foot		Proposed Rent	
Stephen P. Clark Center	\$	24.43	\$	3,138,378	\$	22.53	\$	2,893,786
Miami-Dade Flagler Building	\$	17.46	\$	928,462	\$	22.53	\$	1,197,961
Caleb Center	\$	16.34	\$	543,294	\$	16.51	\$	548,941
Coop Extension	\$	4.04	\$	59,881	\$	4.04	\$	59,881
Courthouse Center	\$	10.98	\$	146,401	\$	22.53	\$	300,339
Central Support Facility	\$	11.86	\$	134,844	\$	22.53	\$	256,193
ETSD Radio Shop	\$	8.34	\$	91,807	\$	12.00	\$	132,096
South Dade Government Center	\$	14.27	\$	106,866	\$	16.31	\$	122,138
Data Process Center	\$	17.61	\$	82,010	\$	20.03	\$	93,280
Metro Annex	\$	3.09	\$	349	\$	7.00	\$	791
TOTAL			\$	5,232,292			\$	5,605,405

- Rental Amounts Based on Geographic Market Analysis Performed by Brokerage Firm of C. B. Richard Ellis And Current Use of Building

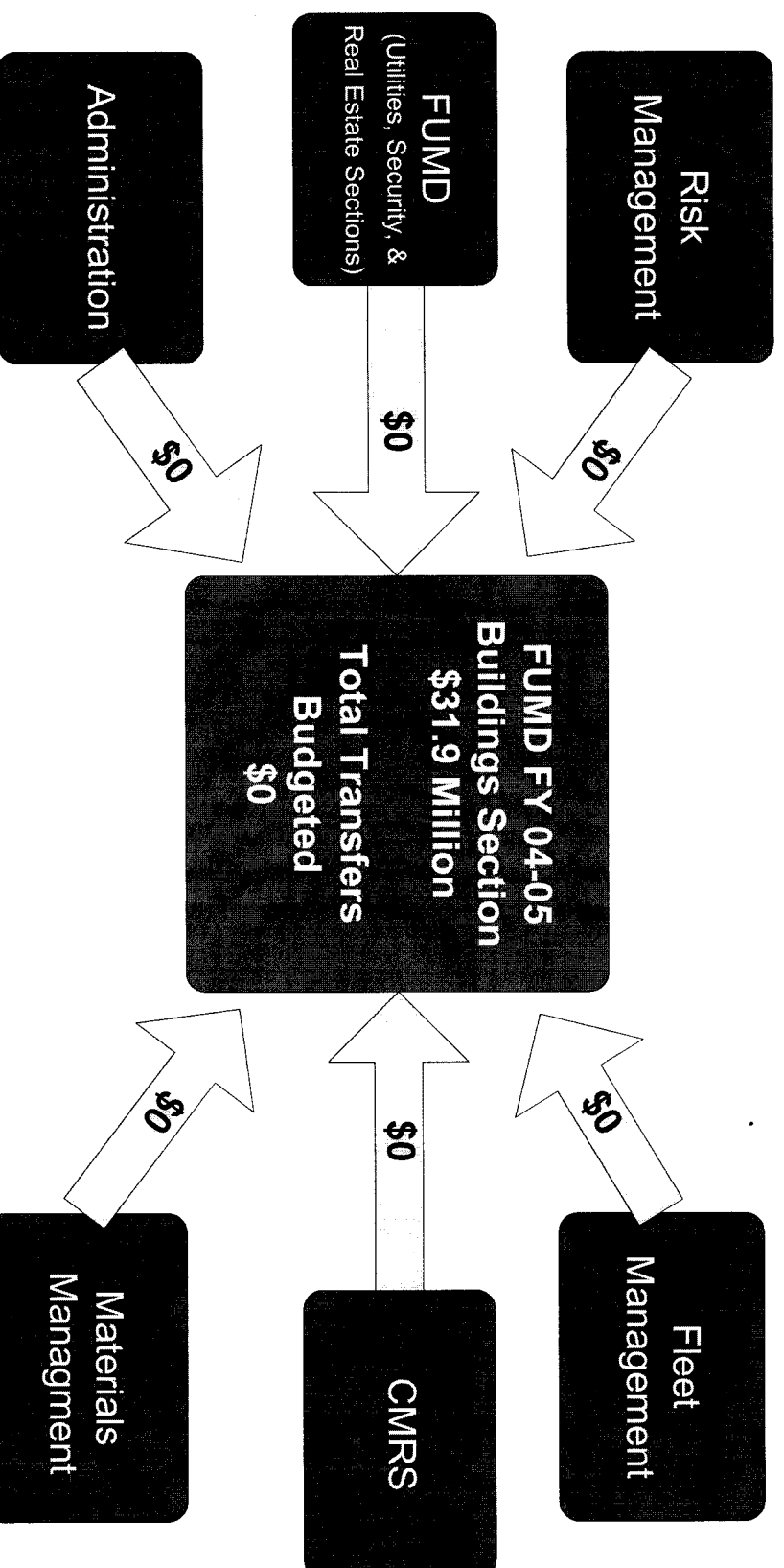
Budgeting and General Fund Support

- General Fund Support Currently Augmented by Internal Transfers
 - \$4.057 Million Transfers Expected in FY 03-04



Recommended Budget Model

- By Budgeting Full General Fund Amount Needed for the Buildings, Internal Transfers Could Be Eliminated



Improved Building Maintenance: Preventive Maintenance and Repairs

- Implement a PM Team to Perform Required Preventive Maintenance and Repairs

➤ **Approach**

- Develop PM Program based on Industry Maintenance Standards and Practices such as Those Proposed by BOMA.
- Implement Night/Weekend Shifts To Limit Tenant Interruptions During Business Hours While Reducing Overtime.

➤ **Direct Savings and Increased Efficiency**

- Shifts Simple Repairs From Higher Cost CMRS Shop Tradesmen
- Frees Shops to Perform Work on More Complex Projects

Capital Planning: Current Capital Funding Approach

- FY 03-04 Capital-Related Spending Is Approximately \$4 Million
 - \$2.5 Million From \$4 Million Work Order Fund
 - \$1.5 Million From \$2 Million Preventive Maintenance Fund
- No Capital Reserve Fund Is Being Built From Rent or From General Fund to support future capital renovation and upkeep of the facilities

Capital Planning: G.O.B. Funding of Capital Needs

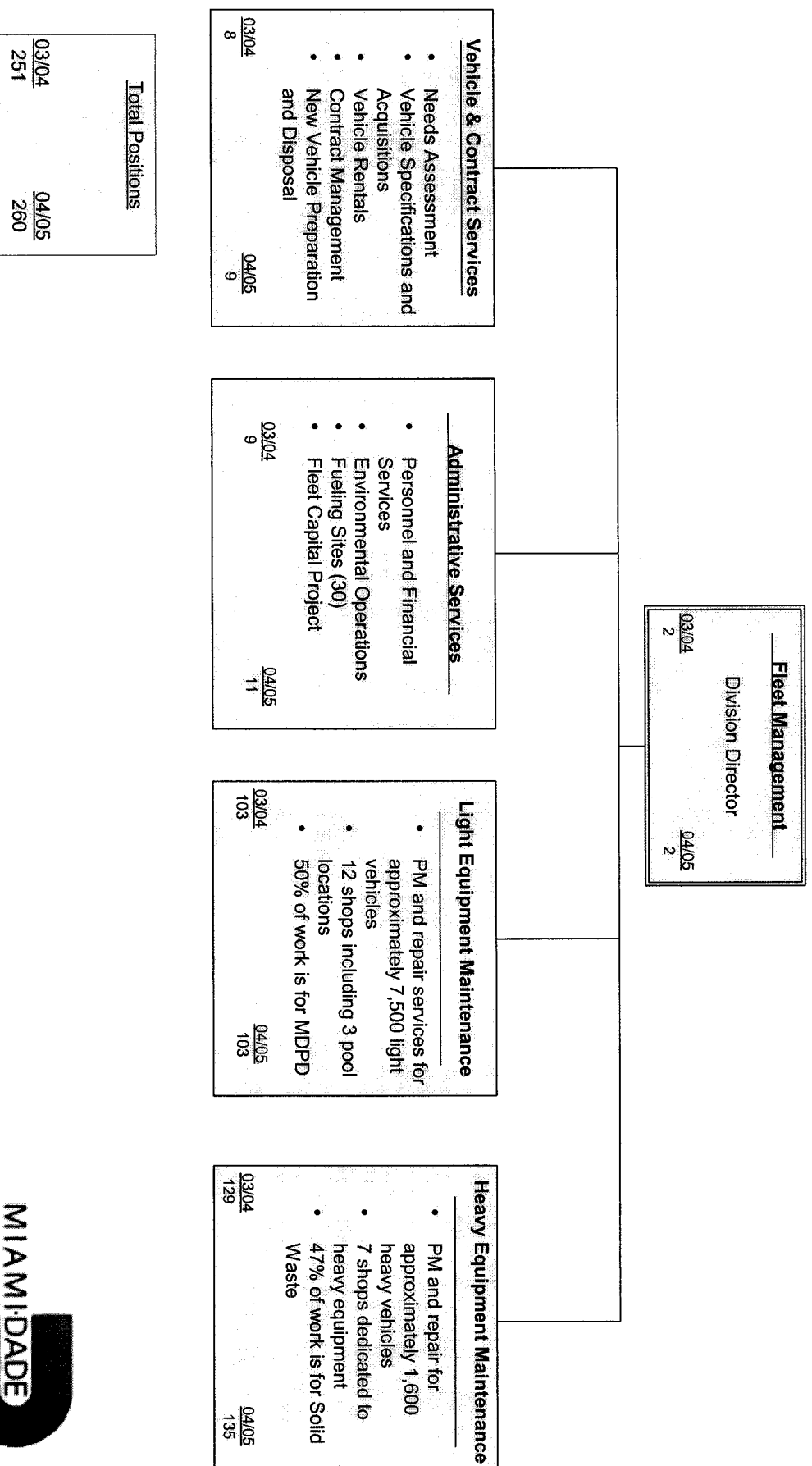
■ Current Situation

- \$82 Million in Deferred Capital Needs
 - \$20 Per Gross Square Feet of Needs
 - \$0.72 Extra Per Gross Square Feet Over 30 Years
 - \$1.00 Extra Per *Rentable* Square Foot Over 30 Years
- Continue Efforts to Include Capital Projects from the GSA Capital Unmet Needs in County Priority-Setting Process for the Proposed General Obligation Bond (G.O.B.) Program

Capital Planning: Alternative to G.O.B. Funding

- Develop a Planning Strategy To Finance Capital Needs
Not Included in G.O.B. Program
 - Make efforts to Plan \$4 Million in Capital Funding for FY 04-05
 - Plan to Increase Amount to \$8 Million Every Year Thereafter for 10 Years

Fleet Management Background: Table of Organization



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Fleet Management Background: Budget Snapshot

	FY 01-02	FY 02-03	FY 03-04
	Actual	Actual	Budget
Revenue			
Carryover	\$3,232	\$4,519	(\$1,704)
Fees for Services	\$50,488	\$51,537	\$49,806
Facility Replacement	\$968	\$952	\$1,500
Environmental Program	\$1,032	\$1,070	\$1,234
Vehicle Replacement	\$24,206	\$27,369	\$27,072
TOTAL	\$79,926	\$85,447	\$77,908
Expenditures			
Salary	\$11,900	\$12,435	\$12,077
Fringes	\$3,444	\$3,140	\$3,305
Other Operating	\$33,628	\$35,302	\$33,472
Operating Capital	\$282	\$189	\$165
Building Capital	\$630	\$742	\$1,050
Environmental Capital	\$17	\$56	\$635
Vehicle Capital	\$20,444	\$22,579	\$19,814
Transfers	\$5,062	\$4,049	\$6,940
TOTAL	\$75,407	\$78,492	\$77,458

Note: Figures are in thousands.

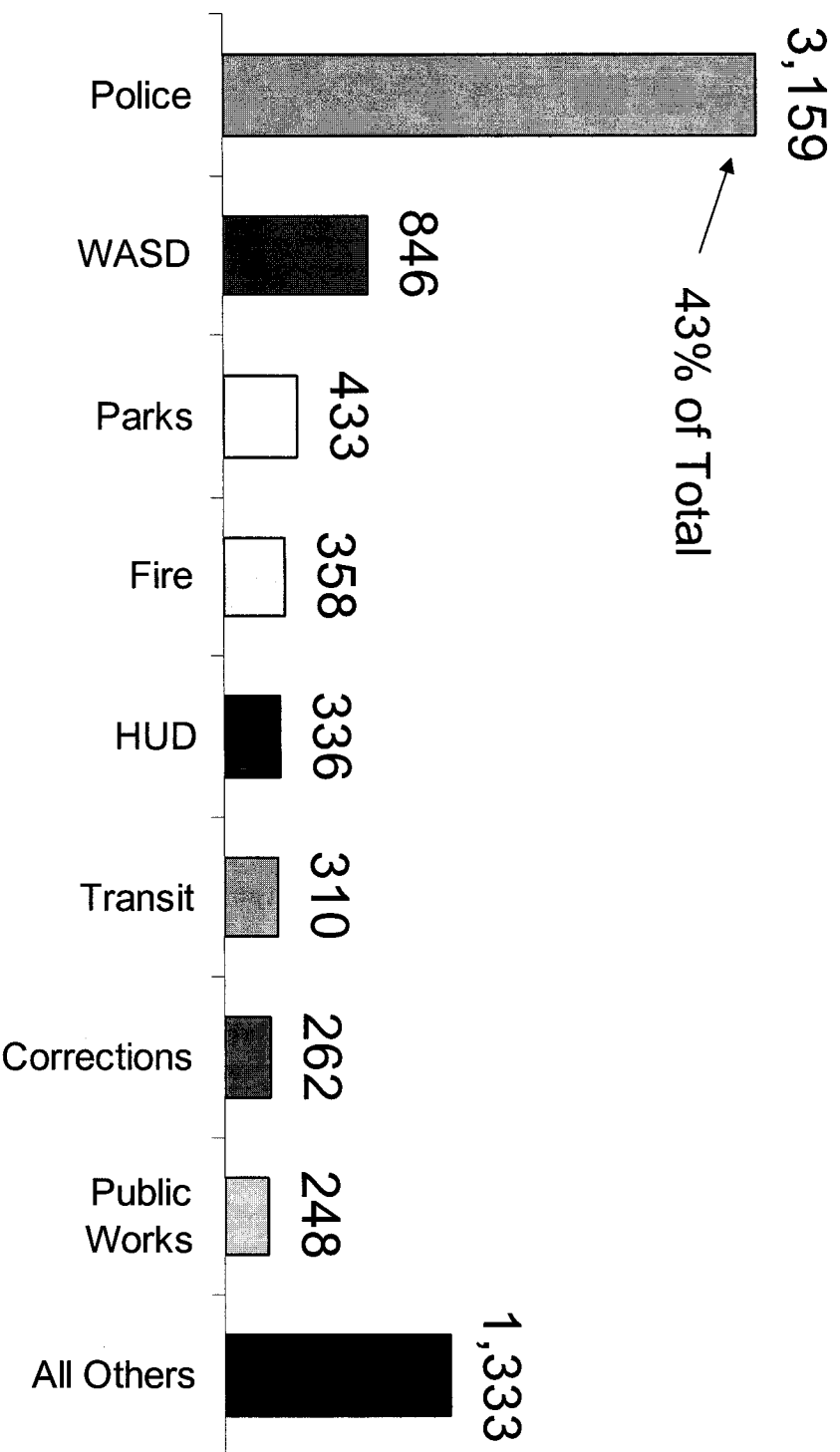
Fleet Management Background: Departments Handling Own Fleet

Department	Light Vehicle Maintenance	Heavy / Misc. Vehicle Maintenance	Vehicle Acquisition
Aviation	✓	✓	✓
Water & Sewer		✓	✓
Solid Waste			✓ (Heavy)
Transit		✓	✓ (Buses)
Park & Recreation		✓	✓ (Heavy)
Fire Rescue		✓ (Fire Trucks)	✓ (Heavy)

Fleet Management Background: Key Maintenance & Repair Charges

- Light Vehicle Maintenance
 - Fuel: Cost + \$.13
 - Parts: Cost + 25%
 - Outsourced Repairs: Cost + 10%
 - Mileage Charge: Pays Labor on Light Vehicles
 - \$.14 for Police Patrol Vehicles; \$.12 for All Others
- Heavy Vehicle Maintenance
 - Fuel: Cost + \$.13
 - Parts: Cost + 25%
 - Outsourced Repairs: Cost + 10%
 - Direct Hourly Labor Rate: \$52/hour
- Vehicle Replacement
 - Departments Charged Monthly Fee to Replace Vehicle after 75K Miles and Six Years

GSA Light Vehicle Maintenance: Primary Customers Number of Vehicles Maintained



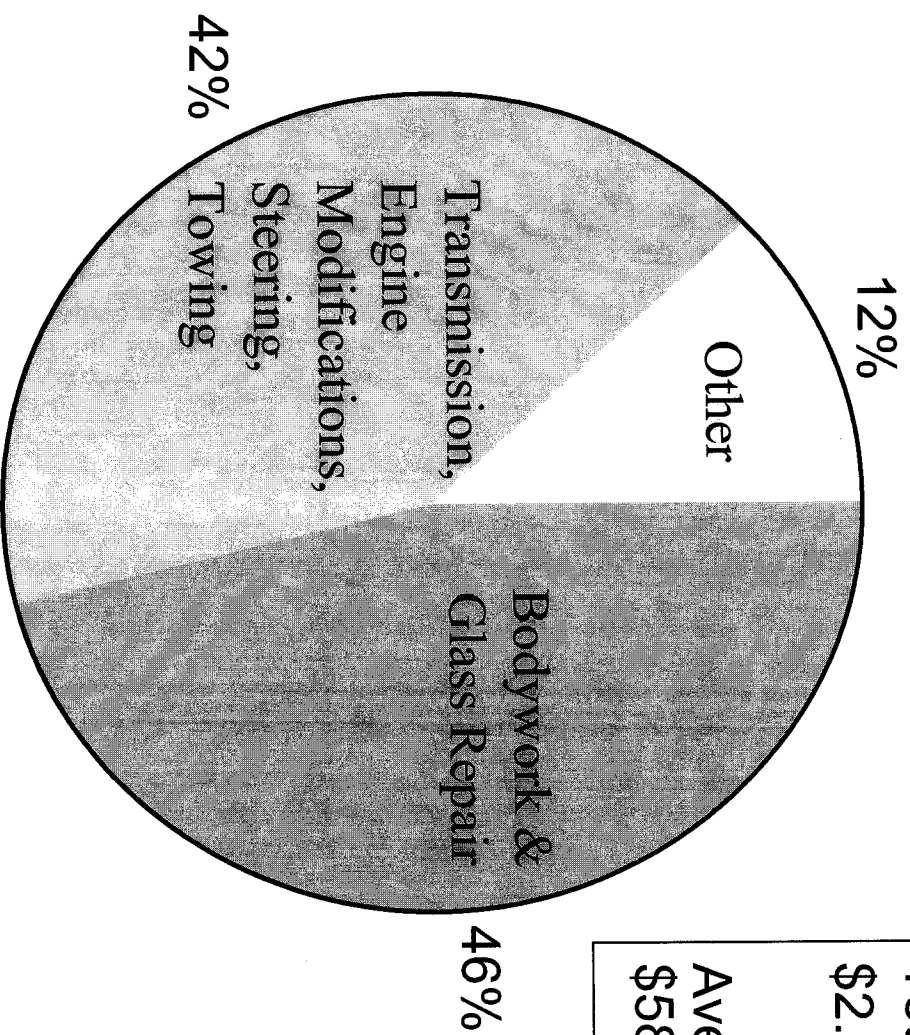
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GSA Light Vehicle Maintenance: Repair and Labor Charges

Historical Labor and Repair Charges for Light Fleet*			
	FY 00-01	FY 01-02	FY 02-03
	Actual	Actual	Actual
Mileage Charges	\$4.55 M	\$5.46 M	\$5.63 M
Parts, Fluids, & PM	\$1.34 M	\$1.15 M	\$1.84 M
Outsourced Work	\$2.51 M	\$2.60 M	\$2.58 M
TOTAL	\$8.41 M	\$9.22 M	\$10.05 M
Approx. # of Cars Maintained	5,534	5,951	6,185
Average Charge per Vehicle	\$1,519	\$1,549	\$1,625

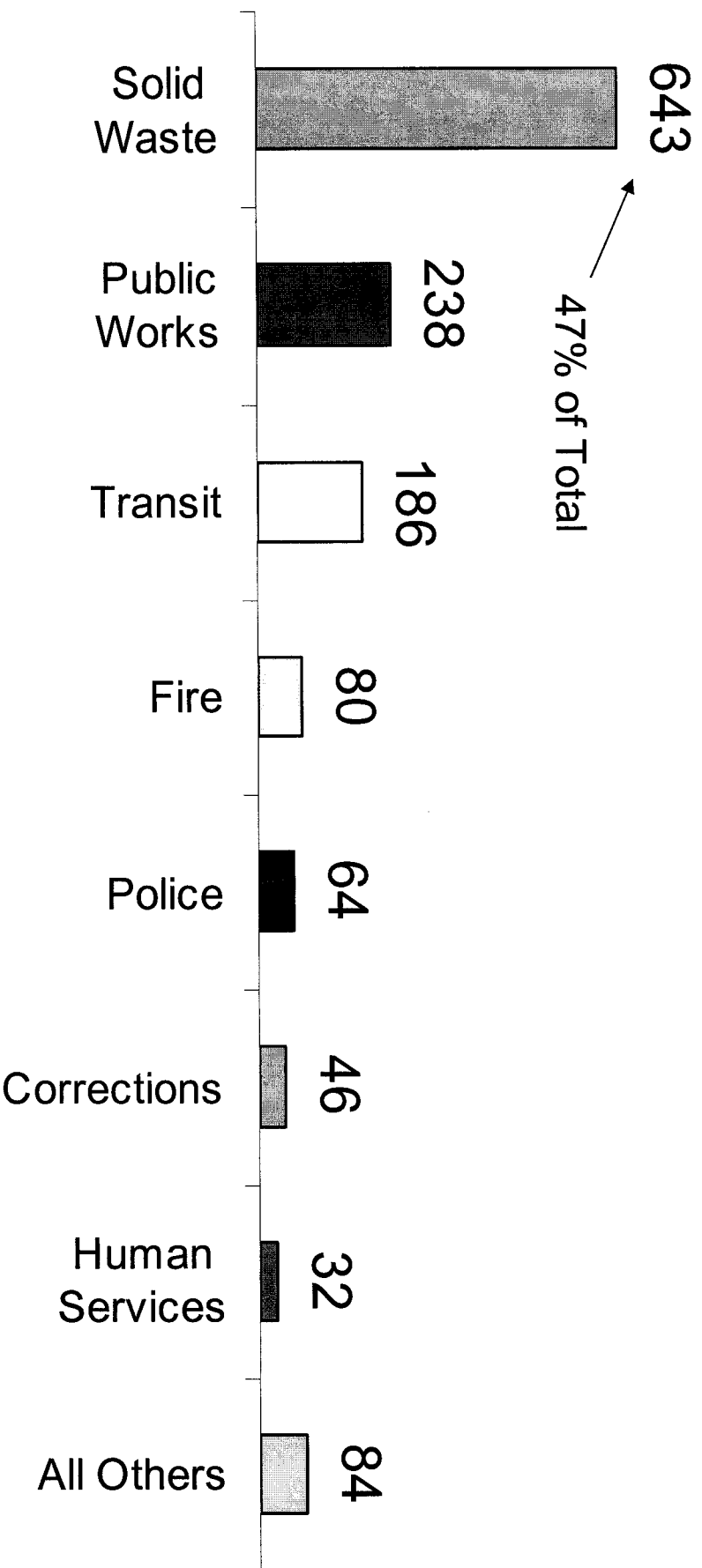
*Note: Above figures do not include police patrol vehicles.

GSA Light Vehicle Maintenance: Common Outsourced Jobs



Total Outsourced Work FY 02/03:
\$2.58 Million
Average Cost of Outsourced Job:
\$580

GSA Heavy Vehicle Maintenance: Primary Customers Number of Vehicles Maintained



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Fleet Comparative Approach

- Review ICMA Data from 2002
- Analyze Industry Benchmarks and Explore Gainsharing Opportunities
- Review WASD and Fire Rescue Fleet Costs
- Implement Phone / Written Survey
 - Contacting 10 Comparable Jurisdictions Including:

Austin, TX
Fairfax County, VA
Las Vegas, NV
Los Angeles, CA

Miami-Dade County, FL
Phoenix, AZ
San Antonio, TX
Tucson, AZ

